

local insights

centralutah

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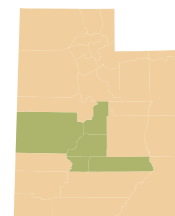
An economic and labor market analysis of the Bear River Area

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Now Hiring

Using Hires Data to Explore the Recent Business Cycle in Central Utah



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LECIA PARKS LANGSTON, ECONOMIST

Central Utah lost a substantial number of jobs during the recent recession. However, did hiring totally cease as the economy tanked? Did some industries continue to hire? Who found new jobs? How were wages affected? As expansion ensued, did the age and gender of the newly hired change?

Typically, the year-over change in nonfarm jobs ranks as the go-to indicator when tracking the business cycle, and rightly so. This figure presages the end of a recession long before the arbiters of the economic peak-to-trough dates (the National Bureau of Economic and Business Research) release their official chronology. However, this year-to-year change in employment reflects a net change of job expansion and contraction among different industries. It also obscures the many alterations in employment status (or “churn”) among individuals who have found (or lost) a particular job.

Enter the U.S. Census Bureau’s relatively recent (and wonderful) addition to the economist’s tool kit—the Local Employment Dynamics (LED) database. The LED time series includes data created under a federal-state partnership to provide unprecedented details about jobs, workers and local economies. To data lovers, LED is almost data paradise. Having said that, the data does include its own caveats and peculiarities.

This particular study will focus on hiring activity before, during and after what has been tagged the “Great Recession” to gain insights into the most recent business cycle. Here are a few important points to remember:

- This study tracks only “stable hires” or the number of workers that started a job that lasted at least one full quarter with a given employer. Hires reflect the first full quarter of employment rather than the initial hire date.
- Short-term (less than three months) hires for temporary jobs are excluded from the totals. For purposes of this study, “new hires” include both first-time hires and rehires.
- Industry data are presented regardless of ownership. For example, public school district hires are included in education services. In most data compiled by the Utah Department of Workforce Services, public school jobs are tabulated in local government. Educational services represent only private employment.
- Because of the time required to match data across administrative records and surveys, LED data tends to be a little stale compared to other data series. The most current data available at the time of this writing is third quarter 2012.
- Federal government employment is currently not included.





Now Hiring (continued)

- Educational levels are only available for workers 25 years and older.
- For this study, central Utah includes Millard, Piute, Sanpete, Sevier and Wayne counties.

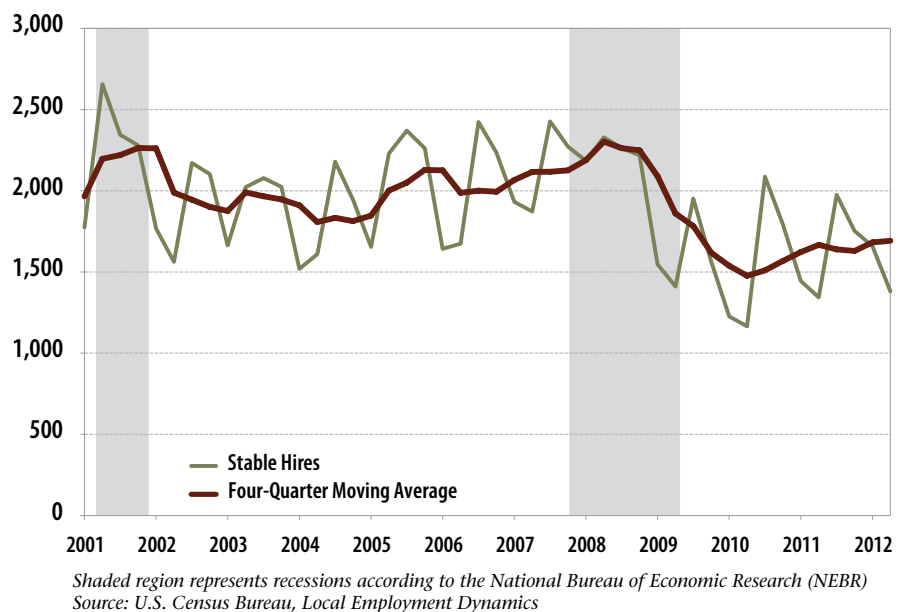
On to the Data

Hiring data follows a very seasonal pattern. Therefore, Figure 1 presents the actual stable hire data as well as a four-quarter moving average for trend analysis. Those familiar with central Utah's recent business cycle experience will notice stable new hires data from the LED system show an expected pattern. Hiring steadily increased as the economy expanded and eventually overheated. The number of new hires peaked in 2008 (as did total employment). Then as the economy attempted to right itself, hiring contracted sharply.

Second quarter 2010 marked the recent low point in new hires in central Utah (remember the national recession ended in mid-2009). After that point, new hires began to slowly increase once again. Interestingly, total employment bottomed out three quarters after the new hire trough. Most of central Utah has struggled in the recovery phase of the business cycle. Few counties have found their way to sustained-expansion. The tepid expansion in new hires certainly reflects the economy's failure to engage.

Contracting employment characterizes a recession. Nevertheless, during the area's worst hiring quarter (fourth quarter 2009) almost 1,200 individuals found new employment that lasted more than a quarter. In other words, LED data shows that even during tough economic times, many, many workers find employment.

Figure 1. Central Utah Quarterly Stable Hires



An Industry Perspective

Which industries started hiring early in the recovery process? Transportation/warehousing and covered agriculture showed the most prompt and strongest hiring gains as the economy began its restoration process. The hard-hit manufacturing industry also joined the first sectors to start its hiring resurgence—although the gains have not appeared particularly steady.

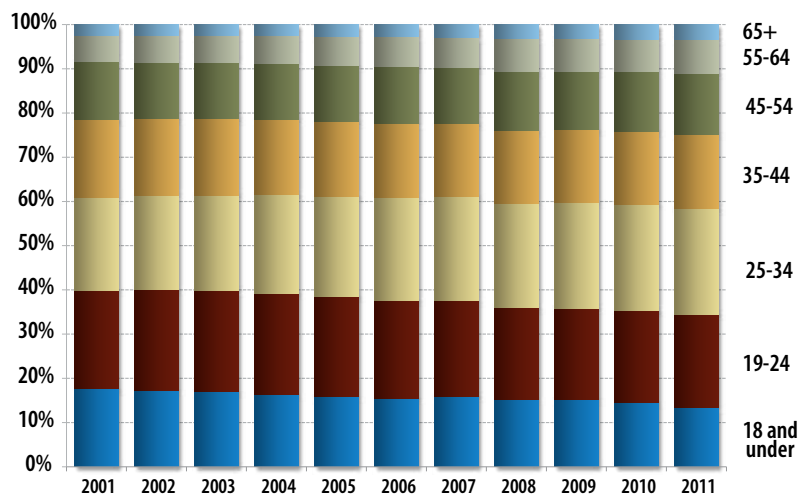
Construction remained noticeably absent from the list of those with improving hire records. In fact, as of second quarter 2012, the industry had yet to show any significant indication of an increase in hiring at all. In addition, after an initial bump, hiring in the health care/social assistance industries has waned.

While arriving somewhat later to the hiring game, leisure/hospitality services and educational services have shown increased hiring activity in recent months. Most of the remaining major industrial sectors show flat or only slight hiring gains.

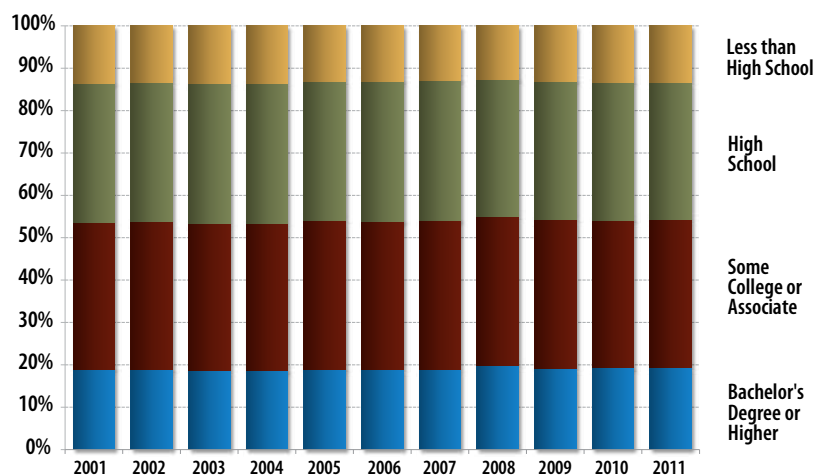
Age is Important

When it comes to getting a new job, 25-34 year-olds rule—recession or expansion. Generally, they account for approximately one-fifth to one-fourth of stable hires over time. Of course, 25 to 34 year-olds do comprise just more than one-fourth of central Utah workers, and that share has remained very stable over the past decade. Their portion of hires has fluctuated somewhat, however. Back in 2000, this age group maintained only about one-fifth of hires. Over time, their share of new hires has gradually increased (through boom, recession and expansion) to between 23 and 25 percent.

Interestingly, teenagers, 18 years and younger, have generally seen their share of new hires decline. In 2001, teenagers made up roughly 16 percent of new hires. Through the boom years, they held on to that share of hires. But beginning in the recession, their share of hires began to contract. By 2012, only 11 percent of new hires went to teens. Although their share of new hires has declined other

Figure 2. Central Utah Share of Stable Hires by Age Group

Source: U.S. Census Bureau; Local Employment Dynamics

Figure 3. Central Utah Stable Hires by Educational Attainment*

*Workers 25 years and older

Source: U.S. Census Bureau; Local Employment Dynamics

areas in Utah as well as the state have shown an even greater contracting portion.

Why the decline? First, teenagers are now participating in the labor market at a much lower rate than in past generations. In other words, perhaps many young people aren't interested in working, because they are pursuing an education or parents are supporting them in an acceptable manner. Second, as the recession limited employment opportunities for older

workers, many took jobs that typically only enticed teenagers. However, as expansion has ensued, teens' share of new hires has continued to contract. Of course, they do maintain only 3 percent of total the jobs in central Utah. Their higher share of new employment (11 percent) undoubtedly results because they tend to "job hop" more than more mature workers.

Those in the pre-retirement age group—55-64 years old—also have shown

a notably different share of new hires over time. In this case, the 55-64 age group has accounted for an increasing share of new hires. Demographics definitely play a role here as baby boomers move into this age cohort. In 2000, the age group accounted for roughly 10 percent of total employment compared to almost 16 percent in 2012. Their new hire share has shown a similar increase rising from about 5 percent in 2000 to 8 percent in 2012.

In general, regardless of age, central Utah hires followed the overall boom-to-bust-to-recovery trend. Most age groups experienced a turn-around in the number of new hires at the same time—about mid-2009. In contrast with other Utah areas, hires for teens improved right along with other age groups—while 22-24 year-olds and 45-54 year-olds have shown only a slight increase in hiring. In addition, hires of seniors have shown only a slight improvement since the recovery began.

Women typically make up a slightly lower percentage of new hires than men. During the most recent business cycle, this pattern generally held true. However, at the height of the boom (2008), female hires outnumbered male hires.

It's all About Education

How does educational attainment relate to hiring? In central Utah, roughly 36 percent of workers show some college or an associate degree. Another third have just a high school education, while about 19 percent of workers have a bachelor's degree or higher. The remaining 12 percent of workers have less than a high school education. (Remember, the education data includes only those 25 years and older.)

In general, each of these educational-attainment groups account for approximately the same share of new hires over time as their share of total jobs. Plus, each groups' share of hires has remained relatively stable. The most notable exception is the "bachelor's degree and higher" group where the share of hires runs slightly lower than the share of



Now Hiring (continued)

total employment. This situation probably reflects a more stable employment pattern for college-educated workers.

Wages

As the economy boomed and the labor market tightened, one would typically expect the wages of new hires to increase. This certainly happened. And as the national economy tanked, average new-hire wages decreased just as economic theory would suggest (increased labor supply coupled with decreased labor demand). Now, as the central Utah economy is in recovery (if not healthy expansion), new hires are gradually increasing.

The strongest post-recession gains in new hire wages can be traced to three industries—health care/social services, professional/scientific/technical services and real estate/rental/leasing. In fact wages in the real estate/rental/leasing industry have displayed steady improvement since a notable 2007-drop. In addition, accommodations/food service new-hire wages only suffered a slight decline during the recession and have edged up steadily since. Transportation/warehousing new-hire wages actually slowly and steadily increased even during the economic downturn.

Since the peak of the building boom in 2007, new hire wages in the construction industry have only shown project-related gains which quickly evaporated. Other major industrial sectors have shown little gains in wages for new hires or erratic patterns due to their small size.

When it comes to starting wages, older new hires have certainly out-performed their younger peers during the recent recovery.

Figure 4. Central Utah Stable-Hire Average Monthly Earnings

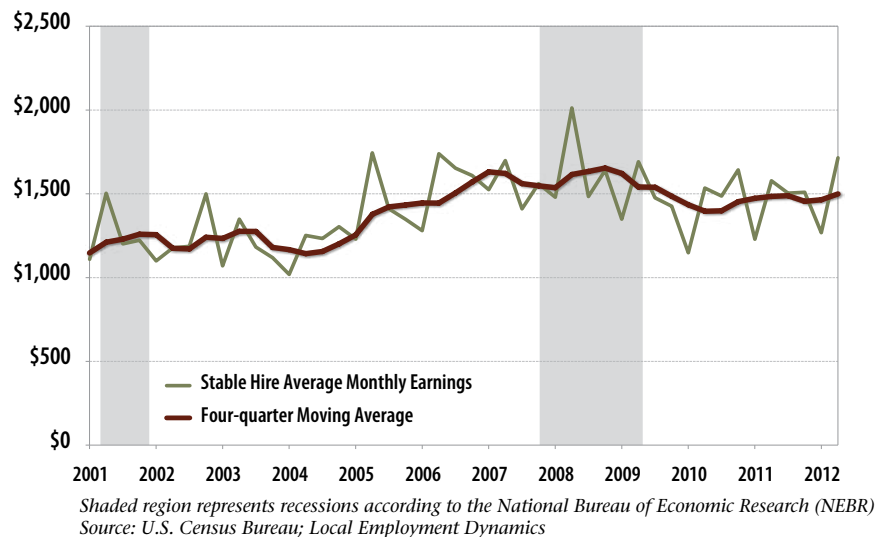
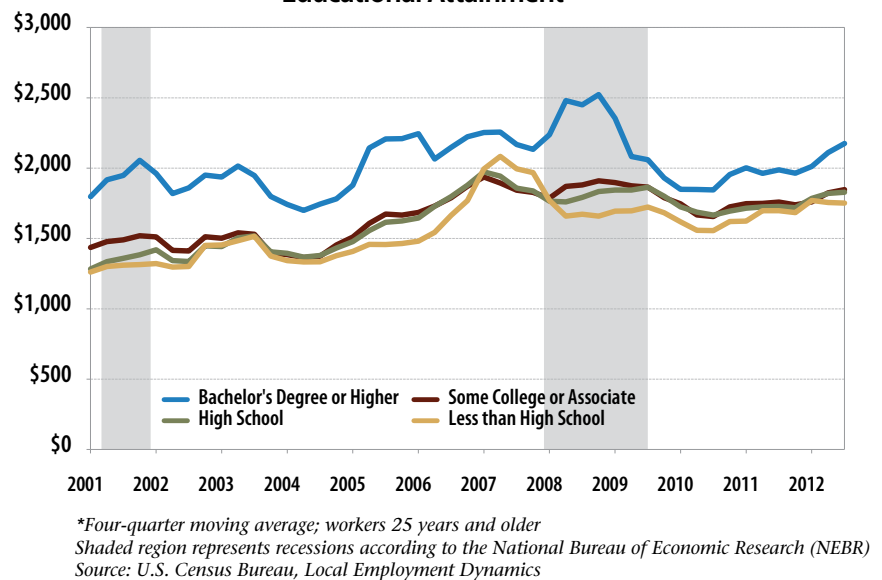


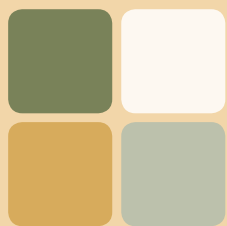
Figure 5. Central Utah Average Monthly Stable-Hire Wages by Educational Attainment*



Workers 35 years and older have shown the fastest growth in new-hire wages, while new-hire wages for teenagers and young adults have stagnated or even declined in recent quarters.

Higher education levels have also paid off in improved new-hire wages for workers with higher educational attainment. Not only do new-hire wages for workers with at least a bachelor's degree measure significantly above those of other employees, but they

have also shown the strongest post-recession gains. In most areas, increasing levels of education result in statistically higher starting wages. Not so in central Utah. New-hire wages for those with a high school education typically do not measure lower than those with some college or an associate degree. Even new-hire wages for those with less than a high school education measure are often equal to those of workers with high school diplomas or some college.



Economic Activity Ranges from Contraction to Slow Expansion

LECIA PARKS LANGSTON, ECONOMIST

During the first few months of 2013, Central Utah's economy struggled to show growth. In fact, compared to last year, two counties—Piute and Wayne—actually lost employment. Other counties exhibited sluggish employment gains. However, joblessness continues to contract and other indicators provide hope of an improving economic state.

Millard County

Millard County is no stranger to the ebb and flow of employment produced by large construction projects. Between 2010 and 2012, that cycle of job gain and job loss has been readily apparent. Currently, the county has basically moved past that cycle and is adding jobs at a fairly tepid rate. However, these current slow-growth jobs should prove a more permanent addition to the Millard County labor market. While not in perfect alignment, the county's other economic indicators point to a healthier economy.

Recently released jobs data show slower growth. Between March 2012 and March 2013, the county showed a net gain of almost 60 jobs—up 1.5 percent.

Employment gains proved particularly strong in business services and manufacturing.

On the other hand, wholesale trade, leisure/hospitality services and the public sector showed notable net losses in payroll jobs.

As of June 2013, Millard County's unemployment rate measured 4.5

percent. Millard County's jobless ratio registers below the statewide average of 4.6 percent—an unusual condition for a nonurban county.

Residential construction permitting started the year on the right foot. For the first quarter of 2013, the number of new home permits approved is up by 25 percent.

New nonresidential permit values are down somewhat compared to last year. However, the year has barely begun and values can change rapidly in this volatile indicator.

Gross taxable sales took a nice uptick when the first quarters of 2012 and 2013 are compared. This marks only the third straight quarter of improving sales figures.

In contrast, the number of new cars and light trucks slipped slightly in the first quarter of 2013—especially when compared to vigorous gain in the fourth quarter of 2012.

Piute County

Has Piute County broken out of its four-year employment losing streak? Unfortunately, not yet. Piute County remains the only county in the area which hasn't seen some year-to-year improvement since the end of the recession. True, job losses proved relatively small. However, there's no joy to be found in a four-year-plus economic contraction.

In the twelve months ending March 2013, Piute County showed a net loss of three

positions. This relatively small job loss resulted in a 1.3 percent decline in total nonfarm employment.

Trade/transportation/utilities accounted for most of the job loss.

Several industries—leisure/hospitality services, government and construction did add a few jobs. However, gains were insufficient to offset losses.

As of June 2013, the county's seasonally adjusted unemployment rate measured 5.3 percent—just somewhat higher than the state average of 4.7 percent. Many residents of the county commute to other counties for work—a fact that has undoubtedly mitigated joblessness in the area.

Between the first quarters of 2012 and 2013, gross taxable sales slipped by 2 percent—another indication that the county has not yet achieved a stable economy.

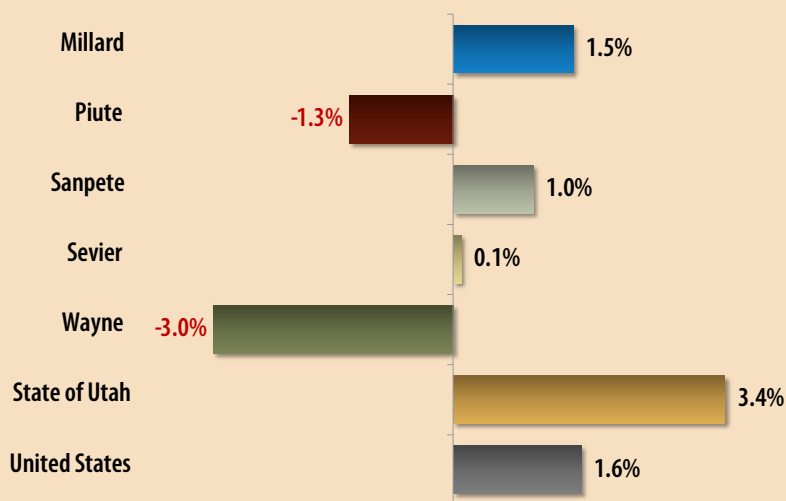
Sanpete County

Following a surge of robust employment gains in 2012, Sanpete County began 2013 with a much slower job growth rate. Now instead of being the economic envy of its neighbors, its performance is on par the rest of the area. Other economic indicators point to a mixed bag of performances.

Between March 2012 and March 2013, Sanpete County added 72 net new jobs for a year-to-year growth rate of just 1 percent. That's down substantially from the 6-percent peak growth in mid-2012.

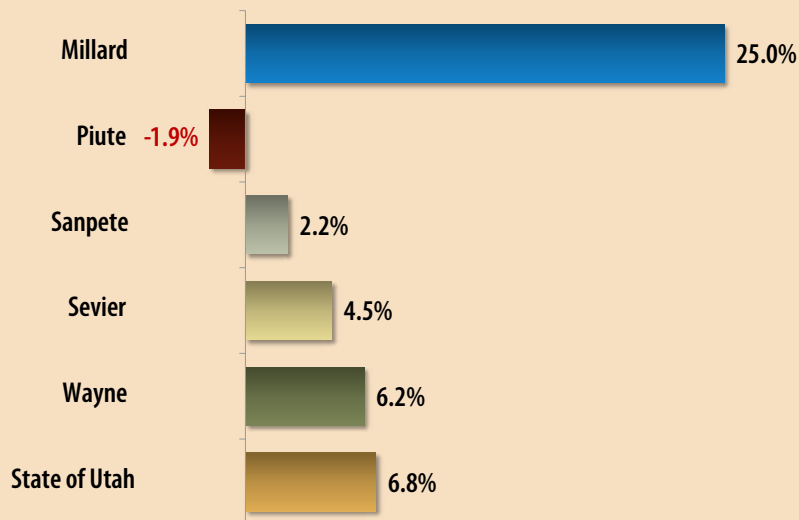
Economic Activity Ranges from Contraction to Slow Expansion (continued)

Figure 6. Change in Nonfarm Jobs, March 2012 to March 2013



Source: Utah Department of Workforce Services; U.S. Bureau of Labor Statistics.

Figure 7. First Quarter 2012 to First Quarter 2013 Change in Gross Taxable Sales



Source: Utah Department of Workforce Services; U.S. Bureau of Labor Statistics.

The goods-producing industries of construction and manufacturing managed the largest job gains. Construction employment is up a whopping 24 percent from March of last year, while manufacturing generated a healthy 8-percent increase.

Transportation/warehousing and private education/health/social services also added a notable number of new positions.

Despite strong performances in the aforementioned industries, distinct job losses in retail trade and the leisure/hospitality industry proved responsible for the overall slowdown in labor market expansion.

In June 2013, the county's unemployment rate measured 6.6 percent—down more than a full percentage point from June 2012.

As of March 2013, Sanpete County has yet to join in the statewide home-building permit resurgence—although nonresidential permitting is up slightly for the first quarter of the year.

Sanpete County's first quarter 2013 gross taxable sales marked the eighth straight quarter of year-to-year increases. However, as with employment growth, the rate of expansion slowed. Between the first quarters of 2012 and 2013 sales expanded by just 2 percent.

Sevier County

During the boom-to-recession portion of the business cycle, Sevier County's employment performance tracked quite closely with that of the state and the nation. Even in the early days of the expansion (2010), Sevier County found itself improving before its neighbors. However, by 2011, most of its previous job gains had evaporated. In mid-2012, the county found its economic footing once again with a surge in new employment. But, in the first months of 2013, history repeated itself with the disappearance of job growth. The remaining economic indicators are generally positive—with a few minor bumps.

The county's year-over growth in nonfarm jobs measured a meager 0.1 percent in March 2013. This 10-job gain is still better than the job losses shown earlier in January.

Losses in mining, manufacturing, wholesale trade, professional/business services (which includes "temp" agencies) and leisure/hospitality services almost offset the gains generated in other industries.

Transportation and private education/health care/social services created the highest number of net new jobs with a little help from retail trade and construction.

In June 2013, the unemployment rate stood at 5.7 percent—down almost a full percentage point from June 2012.

After six years of home-permit contraction, Sevier County is showing off a 40-percent increase in the number of new dwellings permitted in the first three months of the year.

Nonresidential permitting for the first quarter of 2013 dropped compared to the same time period last year. However, nonresidential building typically lags behind a surge in homebuilding.

While Sevier County's gross taxable sales have not shown consistent gains over the past several years, seven quarters out of the last nine quarters have experienced year-to-year expansion. During the first quarter of 2013, sales rose by a moderate 4.5 percent.

New car and light truck sales took a nice 44-percent year-to-year bump in the first quarter of 2013.

Wayne County

Wayne County job growth towards the end of 2012 seemed to suggest that the area had begun to shake off the economic trauma of the loss of the county's largest employer. However, first quarter 2013 found the county in negative employment territory once again. Nevertheless, the county's other economic indicators suggest light at the end of job-loss tunnel.

Between March 2012 and March 2013, Wayne County showed a net loss of more than 60 nonfarm jobs—down 3.8 percent.

Most major sectors showed job loss. Leisure/hospitality services, manufacturing, the federal government, and mining were among the biggest losers.

Private education/health/social services generated the only job gains of note.

In June 2013, the county's jobless rate measured a sickly 12.2 percent—more than double the state average of 4.7 percent.

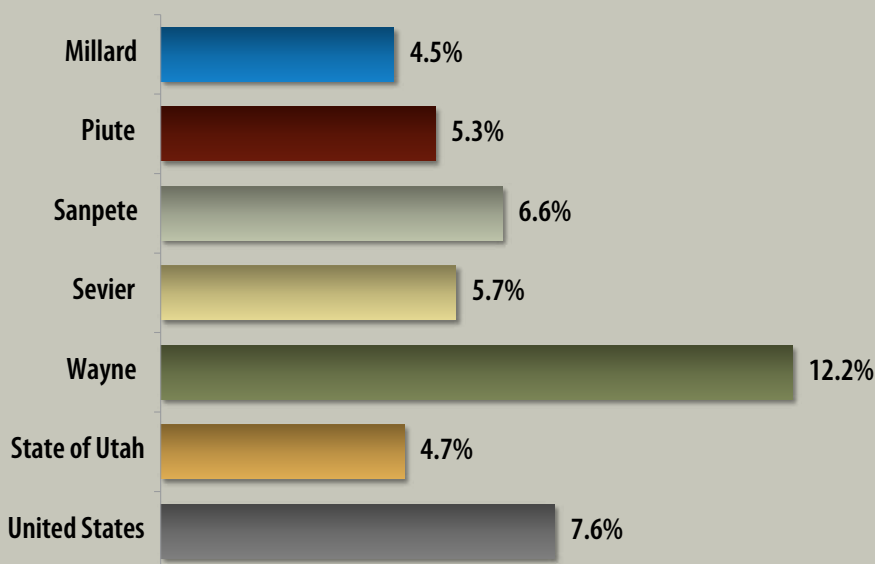
On the other hand, the job hemorrhaging seems to have ceased.

Approvals for home permits slowed to a near year-over-year halt during the first quarter of 2013 failing to depart from the sluggish residential market evident for numerous years.

On the other hand, improvements in new nonresidential permitting and residential alterations/additions/repairs pushed total values up more than 300 percent during the first three months of 2013.

Gross taxable sales experienced a healthy gain at the start of 2013. Between the first quarters of 2012 and 2013, sales increased by 6 percent. In the last two years, only two quarters have demonstrated year-to-year declines.

Figure 8. June 2013 Seasonally Adjusted Unemployment Rates



Source: Utah Department of Workforce Services; U.S. Bureau of Labor Statistics.



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The Benefits of New Hire Registry

BY MELAUNI JENSEN, LMI ANALYST

All employers in the United States are required by federal law to report information about all newly hired employees to their designated state agency. In 1997, the Department of Workforce Services was given the responsibility of managing the New Hire Registry Act for Utah, where employers must report the information within 20 days of a new hire's first day. The primary purpose of this law was the result of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, an all-inclusive bipartisan welfare reform system aimed at ending the federal entitlement to assistance, and whose main reform was the start of the Temporary Assistance for Needy Families (TANF) program. Both TANF and the New Hire's Registry were to be designed in such a way to promote work, responsibility and self-sufficiency in an effort to strengthen families.

You may wonder what reporting new hires has to do with child support reforms. Before 1997, when a parent was ordered to pay child support, this amount was taken out of the worker's paycheck by the employer through wage withholding orders. If a worker changed or found new employment, it could take months for the orders to follow to their new employer. Reporting new hire data provided the ability to track those non-custodial parents in a more timely fashion, thus reducing the lag of payments to the custodial parent. This ties in with the fixed work requirements under PRWORA that custodial parents receiving public assistance are to fulfill.

Aside from the immediate purposes stated above, the nature and scope of the data gathered provides a wealth of socio-economic information.

Because reporting includes demographic and geographic information as well as standard information about the employer reporting the new hire, new hire data can answer such questions as which industries are hiring the most workers and which occupations are growing. Analysts can track the hiring patterns of old and young workers and male and female new hires, all by various geographical groupings.

Since its legislation, the initiative has significantly improved child support payments and collections while decreasing the payment and reporting time lags of custodial parent workers moving from one employer to the next. In addition, the registry has helped to detect and prevent fraud in other assistance programs. Cases can be matched between the New Hire Registry and Unemployment Insurance, Food Stamps and other programs associated with TANF which are under the PRWORA provision. Cases can even be matched to other programs like Medicaid in the detection and prevention of overlooked benefits usage in multiple states.

The value of the Registry is diverse and cannot be overstated. Ultimately, the New Hire Registry has saved and continues to save taxpayer dollars by increasing the self-sufficiency of custodial parents, ensuring for more efficient payments and collections to child support and decreasing instances of fraud by recipients of various assistance programs within and throughout states.

Employers seeking more details on how to report new hire information can consult the DWS Employer's Handbook at: <https://jobs.utah.gov/UI/Employer/Public/Handbook/EmployerHandbook.aspx>